

CITY OF DONALD
MARION COUNTY, OREGON

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019



12700 SW 72nd Ave.
Tigard, OR 97223

**CITY OF DONALD
MARION COUNTY, OREGON**

MODIFIED CASH BASIS FINANCIAL STATEMENTS

**WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2019

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CITY OF DONALD
MARION COUNTY, OREGON

Mayor and City Council

TERM EXPIRES

Brad Oxenford, Mayor

December 31, 2020

Gloria Nicholson, Council President

December 31, 2020

Sheryl Glenn

December 31, 2020

Katie Gonzalez

December 31, 2022

Troy Hellickson

December 31, 2022

Rod Scott

December 31, 2020

Gerry Waller

December 31, 2022

All councilors receive their mail at the address listed below

Heidi Bell, City Manager
10710 Main St. NE
PO Box 388
Donald, OR 97020

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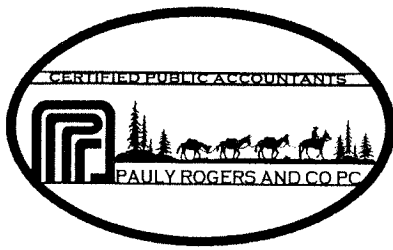
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MARION COUNTY, OREGON
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MARION COUNTY, OREGON

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December 19, 2019

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Donald
Marion County, Oregon

Report on the Financial Statements

We have audited the accompanying modified cash basis basic financial statements of the governmental activities, the business-type activities, and each major fund of the City of Donald (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these modified cash basis basic financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of modified cash basis basic financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these modified cash basis basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the modified cash basis basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the modified cash basis basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the modified cash basis basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the modified cash basis basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the modified cash basis basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the modified cash basis basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Donald, as of June 30, 2019, and the respective changes in financial position and budgetary comparisons for the general fund and street fund, and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the basic financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Emphasis of Matter

The city adopted the provisions of GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and GASB No. 83 *Certain Asset Retirement Obligations*. Our opinions are not modified in respect to this matter.

Other Matters

Supplementary Information

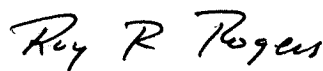
The supplementary information presented, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the modified cash basis basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the modified cash basis basic financial statements or to the modified cash basis basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the modified cash basis basic financial statements taken as a whole. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied to the audit of the basic financial statements and we do not express an opinion or provide any assurance on it.

Other Information

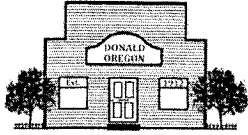
The listing of board members containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the modified cash basis basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it. The information is presented for purposes of additional analysis and is not a required part of the modified cash basis basic financial statements.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 19, 2019, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.



CITY OF DONALD

Management Discussion and Analysis

Fiscal Year Ending: June 30, 2019

This report is commonly called a Management Discussion and Analysis (MDA) because it is a narrative overview and analysis of the financial statements that are prepared by the City Manager and Accountant of the City of Donald, Oregon. An MDA is provided at the beginning of an audit report to help prepare a reader with insight into the operations and financial activities for the City for the fiscal year ending June 30, 2019. The report is meant to be comprehensive and reader-friendly. However, it should not be taken as a replacement for the annual audit financial report, which consists of the financial statements, notes to the financial statements and other information prepared by an independent auditor. The City of Donald's independent audit firm is Pauly, Rogers and CO., CPA located in Tigard, Oregon and has been serving in this capacity since 2012.

Financial Highlights for Fiscal Year 2018-2019

At the close of the fiscal year on June 30, 2019 the City's:

- Net Position (all funds) was \$3,509,865. This is an overall increase of \$191,491. This is a good indication that the City is doing well financially.
- The City's governmental activities reported an ending Net Position of \$574,439. This is an increase of \$76,865 from the prior year. This includes the General Fund, Street Fund and Debt Service Fund.
- The City's proprietary funds reported an ending Net Position of \$2,935,426. This is an increase of \$114,626. This includes the Water Fund, Sewer Fund and the five System Development Charge Funds (Water, Sewer, Storm Drain, Transportation and Parks).

Financial Highlights				
June 30,				
	2019		2018	Change
Net Position	\$ 3,509,865	\$	3,318,374	\$ 191,491
Change in Net Position	\$ 191,491	\$	71,794	\$ 119,697
Governmental Net Position	\$ 574,439	\$	497,574	\$ 76,865
Proprietary Net Position	\$ 2,935,426	\$	2,820,800	\$ 114,626

Overview of Financial Statements

The following analysis is intended to serve as an introduction to the City of Donald's basic financial statements.

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner like a private-sector business. These statements are reported using the modified-cash basis of accounting. Some of the information that a reader can gain by reading a government's financial statements: is a better understanding of a municipality's overall financial position including if it is improving or deteriorating, is to evaluate whether the government's current year revenues were sufficient to pay for current year services, to see what the cost are of providing services to citizens, to assess the finances of the government in its entirety, or see how the government finances its operations (through user-fees versus general tax revenues). The two statements included in the MDA are the Statement of Net Position and Statement of Activities. Here is a short description of each statement's purpose.

What is a Fund?

"A fiscal and accounting entity self-balancing accounts to record cash and other financial resources, related liabilities, balances and changes, all segregated for specific, regulated activities and objectives." State of Oregon's *Local Budgeting Manual*

The *Statement of Net Position* presents information on the City's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the Net Position changed during the most recent fiscal year based on analyzing the receipts and expenditures.

Both government-wide financial statements report the information into two categories: *Governmental Activities*, which is supported by taxes and intergovernmental revenues and the other is called *Business-Type Activities*, which most revenues come from user-fees or charges to customers/developers.

Governmental Activities include the General Fund and Street Fund. The General Fund includes City functions such as administration, parks/community center, economic development, community development, police services, planning and building activities. It is mostly supported by the collection of property taxes, intergovernmental revenues and franchise fees. The Street Fund revenue comes from the State Gas Tax, which the City receives a proportionate share of and it pays for the maintenance of the City streets. The City's Debt Service fund is accounted for and reported separately. It is discussed later in this analysis.

Business-type activities include the water and wastewater utility operations because they are funded through the collection of customer user-fees. The five system development funds are also reported in the Business-Type Activities column.

The *Fund Financial Statements* provide more detailed information about each of the City's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements (including Oregon Budget Laws). Funds can be divided into two categories: Governmental Funds and Proprietary Funds.

Governmental Funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements instead focus on the acquisition and use of current spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful in obtaining an understanding of each fund's activity. The City's governmental funds are the General Fund, Street Fund and Debt Service Fund because most of these funds revenues are collected via property taxes, franchise fees and intergovernmental money.

Proprietary (Enterprise) Funds are used to account for activities where the emphasis is placed on net income determination. The City maintains one type of proprietary fund known as an enterprise fund. Enterprise funds are used to report the same functions as presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water Fund and Sewer Fund operations because these fund's revenues are mainly generated through user-fees charged to customers. All five System Development funds are enterprise funds because the revenue is collected from users/developers.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

Other Supplementary Information provides additional information to the basic financial statements and accompanying notes. This report also presents the budgetary comparison schedules, the combining of non-major fund financial statements, and other schedules.

The audit also contains a letter from the City's auditor and it is required by the State of Oregon. The document is called the *Independent Auditor's Report* and it is supplemental communications on the City's compliance and internal controls that are required by Oregon statutes. It is delivered to the Mayor and City Council by an employee from Pauly, Rogers and CO., CPA located in Tigard, Oregon.

Government-Wide Financial Analysis

Below is the *Statement of Net Positions*. It can provide you a comparison of the fiscal year that just ended to the one prior. The City of Donald uses a modified cash basis system of accounting to report its financials. As noted earlier, Net Position may serve as a useful indicator of a government's financial health. The term *restricted* represents resources that are subject to external restrictions on their use, such as debt service payments, capital projects or system development funds. As opposed to *unrestricted* which is available for general operations of the City. Here are a few highlights that can be gleaned from the statement.

Statements of Net Positions						
June 30,						
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Cash & Investments	\$ 442,308	\$ 367,500	\$ 1,466,861	\$ 1,330,810	\$ 1,909,169	\$ 1,698,310
Other Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Assets	\$ 132,131	\$ 130,074	\$ 1,471,362	\$ 1,489,990	\$ 1,603,493	\$ 1,620,064
Total Assets	\$ 574,439	\$ 497,574	\$ 2,938,223	\$ 2,820,800	\$ 3,512,662	\$ 3,318,374
Other Liabilities	145,000	160,000	0	0	\$ 145,000	\$ 160,000
Net Position						
Fund Net Position	\$ 132,131	\$ 130,074	\$ 1,471,362	\$ 1,489,990	\$ 1,603,493	\$ 1,620,064
Restricted	\$ 232,059	\$ 206,124	\$ 313,860	\$ 301,495	\$ 545,919	\$ 507,619
Unassigned/Unrestricted	\$ 210,249	\$ 161,376	\$ 1,153,001	\$ 1,029,315	\$ 1,363,250	\$ 1,190,691
Total Net Position	\$ 574,439	\$ 497,574	\$ 2,938,223	\$ 2,820,800	\$ 3,512,662	\$ 3,318,374

- The Governmental Activities *Cash and Investments* increased by \$74,808. There was a higher collection of intergovernmental fees, which are composed generally of property taxes, collection of gas taxes and other revenues that are collected by the state like gas, marijuana, liquor or cigarette taxes- based on population.
- The Business-Type Activities funds *Cash and Investments* increased by \$136,051. There is a priority on the water, sewer and system development charge funds trying to save money for anticipated large-scale infrastructure projects to serve both the current and future populations.
- The City's *Liabilities* decreased by \$15,000, which was the principal payment on its outstanding bond debt. Property taxes are collected for the specific purpose to pay off this debt. The City owes less on its outstanding bond. Starting in 2022 the principal payment will increase and more property taxes will need to be called to meet the required payment.
- The Governmental Activities *Restricted* balance is composed of the Debt Service Fund and Street Fund because these funds only revenue sources are restricted in use by State law. The increased amount from last year is mostly due to the Street Fund's concentration on saving money for a large-scale sidewalk improvement project on Main Street. The Debt Service Fund's Net Position is fairly consistent.
- The Governmental Activities *Unassigned* total is only the General Fund. The amount collected in property taxes, franchise fees and interest revenues were slightly higher than budgeted and so contributed to the increase from last year's number.
- The Business-Type Activities *Restricted* saw an overall increase of \$12,365. This balance is the City's five System Development Charges: water, wastewater, transportation, storm drain and parks. Any expenditures are restricted by ORS 223.302.

- The Business-Type Activities *Unrestricted* balance is composed of the water and sewer funds, and it increased by \$123,686 from last year. The City's water and sewer rate increases by a flat 3% (in lieu of an annual inflation rate increase) as per a rate study that was completed in 2016.
- All funds together, the City's Net Position increased by \$191,491, which is an indication of savings between years and generally a healthy financial outlook.

The *Statement of Activities* helps to see changes in receipts and disbursements and can give a reader a deeper understanding to the City's financial health. This statement can help decipher if receipts are keeping pace with expenses. The audit report can provide even more information about a specific fund's receipts and disbursements. Here are a few highlights that can be garnered from this statement.

	Statements of Activities					
	June 30,					
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Receipts						
Program Receipts						
Fines, Fees, Charges for Services	\$ 12,345	\$ 42,987	\$ 591,240	\$ 570,198	\$ 603,585	\$ 613,185
Capital Grants and Contributions	\$ 14,000	\$ 1,000	\$ 34,000	\$ -	\$ 48,000	\$ 1,000
General Receipts						
Property Taxes	\$ 97,176	\$ 81,975	\$ -	\$ -	\$ 97,176	\$ 81,975
Franchise Fees	\$ 62,561	\$ 54,658	\$ -	\$ -	\$ 62,561	\$ 54,658
Intergovernmental	\$ 101,410	\$ 91,361	\$ 3,824		\$ 105,234	\$ 91,361
Interest & Misc.	\$ 27,672	\$ 21,632	\$ 34,652	\$ 20,522	\$ 62,324	\$ 42,154
Rental Income		\$ -	\$ 26,541	\$ 23,244	\$ 26,541	\$ 23,244
Total Receipts	\$ 315,164	\$ 293,613	\$ 690,257	\$ 613,964	\$ 1,005,421	\$ 907,577
Disbursements						
General Government	\$ 176,578	\$ 216,492		\$ -	\$ 176,578	\$ 216,492
Highway and Streets	\$ 47,822	\$ 37,906		\$ -	\$ 47,822	\$ 37,906
Community Development	\$ 4,416	\$ 6,182				
Debt Service	\$ 20,566	\$ 21,066		\$ -	\$ 20,566	\$ 21,066
Water	\$ -	\$ -	\$ 275,128	\$ 243,619	\$ 275,128	\$ 243,619
Sewer	\$ -	\$ -	\$ 296,525	\$ 305,469	\$ 296,525	\$ 305,469
System Development	\$ -	\$ -	\$ 38,652	\$ 550	\$ 38,652	\$ 550
Total Disbursements	\$ 249,382	\$ 281,646	\$ 610,305	\$ 549,638	\$ 859,687	\$ 831,284
Change In Net Position Before Transfers	\$ 65,782	\$ 11,967	\$ 79,952	\$ 64,326	\$ 145,734	\$ 76,293
Interfund Transfers	\$ 9,026	\$ 9,312	\$ (9,026)	\$ (9,312)	\$ -	\$ -
Capital Contributions			\$ 43,700			
Loss on Disposal of Capital Assets	\$ -	\$ (6,556)	\$ -	\$ -	\$ -	\$ (6,556)
Depreciation Expense	\$ (12,943)	\$ (12,943)	\$ -	\$ -	\$ (12,943)	\$ (12,943)
Bonds Payable	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ 15,000	\$ 15,000
Change in Net Position	\$ 76,865	\$ 16,780	\$ 114,626	\$ 55,014	\$ 191,491	\$ 71,794

- Both receipts and disbursements for the Governmental Activities funds are highly affected by the year-to-year fluctuations that happen with the planning and building fees that come to the City. This fiscal year there was not much activity in these areas. It does create some difficulty for comparing years.

- Property tax receipts continues to increase. This year the General Fund took in \$79,831 versus the year prior at \$61,622. Donald's permanent rate limit is set at \$0.8572/\$1,000 of assessed value. For the fiscal year audited the assessed value of the City was \$92,082,013. This is an increase in valuation by \$19,876,336 from the previous year. The City continues to see a high collection rate of property taxes, of nearly 95%. *These numbers do not include the property taxes collected to satisfy the bond requirements.*
- The Governmental Activities reflects a \$14,000 grant received during this fiscal year. It was from Marion County Community Fund; this funded the City Planner's work for the UGB Expansion Project. However, the payment was issued in fiscal year 17-18 but the reimbursement came to the City during 18-19. This deflated the ending balance for the General Fund in 17-18 but inflates it for 18-19.
- The Governmental Activities disbursements are lower than the previous year. Drilling down for a closer look, the Street Fund and the Debt Service Fund both spent more, but the General Fund retained more than the previous year.
- Business-Type Activities had an increase in *Fines, Fees and Charges for Services* by \$21,042. This is a 3.6% increase from last year. The water and sewer rates paid for by customers increases annually by 3%, and this would account for the majority of the growth in this category.
- The *Interest and Misc.* lines for both Government Activities and Business-Type Activities continues to increase because staff attempts to hold as much money as possible in the Local Government Investment Pool, since it is a good source of revenue with its high return on interest and low fees.
- The Business-Type Activities is affected by the City receiving a grant from the Infrastructure Finance Authority for a Water Master Plan and for a Wastewater Facilities Plan. Some of the work, \$17,000 worth was completed during this fiscal year, the work will be completed in the following year. It equally affected both the receipts (*Capital Grants and Contributions* \$34,000) and disbursements (*System Development* \$34,000).

Fund-Based Financial Analysis

The focus of *Governmental Funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unreserved fund balances may serve as a useful measure of a government's net resources for spending at the end of the fiscal year. At June 30, 2019, the City's Governmental Fund's Net Position was \$574,439 which is an increase of \$76,865 from last fiscal year's ending balance.

In Donald, the Governmental Activities is comprised of three funds: General Fund, Debt Service and Street Fund.

The *General Fund* is the essential and primary operating fund for the City's administration. This Fund provides the funding for many of the activities that citizens want more of like policing, community development, park equipment and code enforcement. This fiscal year's ending fund balance was \$210,249, which is an increase of \$48,873 from previous year. The increase in property taxes, franchise fees and interest revenue all attribute to this increase. The City staff and the Budget Committee are conservative when estimating revenues and

cautionary about spending money; so, this worked in the City's favor for this year. The City received \$15,781 more in property taxes than were anticipated in the budget as well as \$6,161 more in franchise fees and \$7,564 more in interest and miscellaneous.

The *Street Fund* receives the majority of its revenue from the State's Gas Tax and interest. The fund balance at the end of the fiscal year was \$226,698, up from \$197,749; this is an increase of \$28,949. This fund continues to report a savings for future costs associated with a large-scale sidewalk improvement project between Marion County, downtown property owners and the City.

The Debt Service Fund is discussed in the *Long-Term Debt* section of the MDA.

Proprietary (Enterprise) Funds account for the acquisition, operations and maintenance of the water and sewer systems as well as the System Development Funds. The Water and Sewer Funds are predominately self-supported through user-fees that are billed to customers. All five System Development Funds are funded through new development projects and are also proprietary funds. The Proprietary Fund's Net Position of \$2,938,223 which is an increase of \$117,423 from the prior year.

The *Water Fund* accounts for the operation of the City's water system. The beginning Net Position for the fiscal year was \$911,786 and ended \$917,256 at which was an increase of \$8,267. The operating receipts (included charges for services, intergovernmental and interest and miscellaneous) totaled \$285,098 which was greater than the operating disbursements of \$272,331 by \$12,767. Operating disbursements takes into account personal services of \$168,410, materials and services of \$73,208 and depreciation of \$30,713. This Fund continues to sustain itself and build up its beginning balance to be better prepared for an unknown large-scale expense(s) in the future.

The *Sewer Fund* represents the operation of the City's sewer (wastewater) system. The beginning Net Position was \$1,303,294 and the ending Net Position was \$1,400,611 which is an increase of \$97,317. The operating receipts total includes \$313,748 in charges for services and \$14,353 in interest and miscellaneous. The operating disbursements includes personal services of \$168,411, materials and services of \$73,578 and a loss in depreciation of \$54,536. Additionally, the Sewer Fund does receive two payments on land it leases to private companies totaling \$26,541. The Fund continues to sustain itself and build up its beginning balance to better prepare for any unknown expense(s) in the future.

The *Water System Development Charges Fund* accounts for the collection and expenses associated with water infrastructure projects and enhancements as per the Capital Improvement Plan. The beginning balance was \$317,056 and the ending balance was \$316,551 showing a minor loss of \$505. The receipts and disbursements both reflect the grant from the Infrastructure Finance Authority for the Water Master Plan. There were \$17,000 in expenses and the granting agency refunded \$17,000 during this fiscal year, essentially a "wash" for revenue and expenses. The project will be completed in the following fiscal year.

The *Sewer System Development Charges Fund* accounts for the collection and expenses associated with the sewer infrastructure projects and enhancements as per the Capital Improvement Plan. The change in Net

Position was \$10,319 with a beginning Net Position of \$257,388 and the ending Net Position of \$267,707. The receipts and disbursements both reflect the grant from the Infrastructure Finance Authority for the Wastewater Facilities Plan. There were \$17,000 in expenses and the granting agency refunded \$17,000 during this fiscal year, essentially a “wash” for revenue and expenses. The project will be completed in the following fiscal year.

The Transportation System Development Charge Fund: was created by City Council in March 2016 for the collection and expenses associated with the transportation infrastructure projects and enhancements as per the Capital Improvement Plan. There was a \$581 collection from developers and \$318 earned in interest. There were no project expenditures or depreciation expenses but a \$12 administration fee was paid out. The beginning Net Position was \$12,748 and the ending Net Position was \$13,635 for a positive growth in the Fund of \$887.

The Stormwater System Development Charge Fund was created by City Council in March 2016 for the collection and expenses associated with the stormwater infrastructure projects and enhancements as per the Capital Improvement Plan. There was \$186 collected from developers and \$450 in interest reported. There were no project expenditures or depreciation but the Fund paid out \$4 in administration fees. The beginning Net Position was \$18,035 and the ending Net Position was \$18,667 for a positive growth of \$632 for the year.

The Park System Development Charge was created by City Council in March 2016 for the collection and expenses associated with the park infrastructure projects and enhancements as per the Capital Improvement Plan. Collections for this can only come from residential developments. There was \$503 collected from developers and \$13 in interest earned. There was no depreciation or project expenditures but a \$10 administration fee was paid out. The beginning balance was \$493 and moved up to \$999, resulting in a positive growth of \$506.

Overall, the City’s beginning Net Position was \$2,765,786 and at the close of June 30, 2019 it was \$2,820,800 showing that the City continues to grow positively financially.

Long-Term Debt

On June 30, 2019, the City had total debt outstanding of \$160,000. The City has one outstanding General Obligation Bond which was issued for \$375,000 on March 8, 2005. This bond matures on December 7, 2025. The principal and interest for the bond is paid by taxes from Donald property owners. During the fiscal year \$15,000 was paid toward the principal and \$5,565.80 to interest. The City changed banks in January 2016 to reduce the bond interest rate from 5.25% to 3.29% resulting in a long-term savings for tax payers.

State statute limits the amount of general obligation debt a governmental entity may issue to three percent of its total assessed valuation. According to Marion County Tax Assessor’s records the City of Donald’s total assessed valuation for the 2018-2019 fiscal year was \$92,082,013. The outstanding debt falls well below the threshold for the State’s permissible debt limit levels. Additional information on the City’s long-term debt can be found in the notes to the basic financial statements.

Statements of Net Positions					
June 30,					
	Governmental Activities		Business-Type Activities		Totals
	2019	2018	2019	2018	2019 2018
General Obligation Bonds	\$ 145,000	\$ 160,000	\$ -	\$ -	\$ 145,000 \$ 160,000
Totals	\$ 145,000	\$ 160,000	\$ -	\$ -	\$ 145,000 \$ 160,000

Economic Factors and the Next Year's Budget

The City of Donald's Budget is recommended by the City Manager, with significant help from the City Accountant and the Budget Committee's approval. The Budget Committee is composed of the mayor and six elected at-large councilors; as well as seven community members. Applications are solicited from the Donald voters in the late winter and voted on by the Council around February. The Budget Committee typically meets in April and deliberates the staff's recommended budget. The Budget Committee approves a balanced budget and sends it to the City Council for their adoption at their meeting, late spring. The budget is adopted by a resolution. The Donald Budget Committee took into consideration the following factors and assumptions when working on this budget.

- The City's mission statement and goals,
- The restrictions on the General Fund's ability to generate more revenue,
- Prior history of revenues and expenses,
- Conservatively developing the budget's revenues and limiting expenses,
- Needed savings for the Street Fund's sidewalk improvement project on Main Street,
- Increases in personnel costs and insurances,
- Keeping levels of service consistent with expected revenues, and
- Raising water and sewer fees based on the report and recommendations from the water and sewer rate study

On April 24, 2017 the Budget Committee voted 12-0-0 to recommend the fiscal year 2018-2019 budget for approval the City Council. Then the Council voted 7-0-0 on May 18, 2018 to approve the budget by means of Resolution No. 459-18.

Overall, the receipts and revenues for the funds typically match the expense and disbursements. This is positive because it means that the government is not operating in a "for-profit" matter or deficient in meetings its requirements. On the flip side, it means that if there were a large-scale emergency, a fall in the economy or break that it would be difficult to fund it with money on hand, especially in the General Fund.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for those with an interest in the municipality's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Donald
PO Box 388
10710 Main St. N.E.
Donald, OR 97020
Phone: 503-678-5543

BASIC FINANCIAL STATEMENTS

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CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
June 30, 2019

ASSETS	BUSINESS		TOTAL
	GOVERNMENTAL	TYPE	
Current:			
Cash and Investments	\$ 442,308	\$ 1,466,861	\$ 1,909,169
Total Current Assets	442,308	1,466,861	1,909,169
Non-Current:			
Capital Assets			
(Net of Accumulated Depreciation)	277,131	1,468,565	1,745,696
Total Assets	719,439	2,935,426	3,654,865
LIABILITIES			
Bonds Payable:			
Due within one year	15,000	-	15,000
Due in more than one year	130,000	-	130,000
Total Long Term Liabilities	145,000	-	145,000
Total Liabilities	145,000	-	145,000
NET POSITION:			
Net Investment in Capital Assets	132,131	1,468,565	1,600,696
Restricted for:			
Debt Service	5,361	-	5,361
Street Improvements	226,698	-	226,698
System Development	-	313,860	313,860
Unrestricted	210,249	1,153,001	1,363,250
TOTAL NET POSITION	\$ 574,439	\$ 2,935,426	\$ 3,509,865

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Position		Total
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
General government	\$ 192,008	\$ 12,345	\$ -	\$ -	\$ (179,663)	\$ -	\$ (179,663)
Highways and streets	49,751	-	-	-	(49,751)	-	(49,751)
Grants	-	-	14,000	-	14,000	-	14,000
Interest on long-term debt	5,566	-	-	-	(5,566)	-	(5,566)
Total Governmental Activities	247,325	12,345	14,000	-	(220,980)	-	(220,980)
Business-Type Activities							
Water	275,128	272,336	-	-	-	(2,792)	(2,792)
Sewer	296,525	313,748	-	43,700	-	60,923	60,923
System Development	38,652	8,980	-	-	-	(29,672)	(29,672)
Total Business-Type Activities	610,305	595,064	-	43,700	-	28,459	28,459
Total Primary Government	\$ 857,630	\$ 607,409	\$ 14,000	\$ 43,700	(220,980)	28,459	(192,521)
General Revenues (Expenses)							
Property Taxes - General Fund					79,831	-	79,831
Property Taxes - Debt Service					17,345	-	17,345
Franchise Fees					62,561	-	62,561
Intergovernmental					101,410	34,000	135,410
Gain/Loss on Sale of Capital Assets					-	-	-
Interest and Miscellaneous					27,672	61,193	88,865
Total General Revenues					288,819	95,193	384,012
Transfers					9,026	(9,026)	-
Change in Net Position					76,865	114,626	191,491
Beginning Net Position					497,574	2,820,800	3,318,374
Ending Net Position					\$ 574,439	\$ 2,935,426	\$ 3,509,865

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2019

	<u>GENERAL FUND</u>	<u>STREET FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
ASSETS				
Cash and Investments	<u>\$ 210,249</u>	<u>\$ 226,698</u>	<u>\$ 5,361</u>	<u>\$ 442,308</u>
Total Assets	<u><u>\$ 210,249</u></u>	<u><u>\$ 226,698</u></u>	<u><u>\$ 5,361</u></u>	<u><u>\$ 442,308</u></u>
FUND BALANCES				
Restricted	<u>\$ -</u>	<u>\$ 226,698</u>	<u>\$ 5,361</u>	<u>\$ 232,059</u>
Unassigned	<u>210,249</u>	<u>-</u>	<u>-</u>	<u>210,249</u>
Total Fund Balances	<u><u>\$ 210,249</u></u>	<u><u>\$ 226,698</u></u>	<u><u>\$ 5,361</u></u>	<u><u>\$ 442,308</u></u>

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION - MODIFIED CASH BASIS**
June 30, 2019

Explanation of certain differences between the governmental fund balance sheet
and the government-wide statement of net position.

Fund Balances	\$ 442,308
The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as a disbursement in governmental funds. The statement of net position includes those capital assets among the assets of the City as a whole.	
Net Capital Assets	277,131
Long-term Obligations applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Bonds Payable	<u>(145,000)</u>
Total Net Position	<u>\$ 574,439</u>

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For the Year Ended June 30, 2019

	<u>GENERAL FUND</u>	<u>STREET FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
Receipts				
Property Taxes	\$ 79,831	\$ -	\$ 17,345	\$ 97,176
Franchise Fees	62,561	-	-	62,561
Licenses and Permits	12,345	-	-	12,345
Intergovernmental	29,630	71,780	-	101,410
Grants	14,000	-	-	14,000
Interest and Miscellaneous	22,474	4,991	207	27,672
	<u>220,841</u>	<u>76,771</u>	<u>17,552</u>	<u>315,164</u>
Total Receipts				
Disbursements				
Current:				
General Government	176,578	-	-	176,578
Highways and Streets	-	47,822	-	47,822
Community Development	4,416	-	-	4,416
Capital Outlay	-	-	-	-
Special Payments	-	-	-	-
Debt Service	-	-	20,566	20,566
	<u>180,994</u>	<u>47,822</u>	<u>20,566</u>	<u>249,382</u>
Total Disbursements				
Excess of Receipts Over, -Under Disbursements	39,847	28,949	(3,014)	65,782
Other Financing Sources, -Uses				
Transfers In	19,026	-	-	19,026
Transfers Out	(10,000)	-	-	(10,000)
	<u>9,026</u>	<u>-</u>	<u>-</u>	<u>9,026</u>
Total Other Financing Sources, -Uses				
Net Change in Fund Balance	48,873	28,949	(3,014)	74,808
Beginning Fund Balance - Modified Cash Basis	<u>161,376</u>	<u>197,749</u>	<u>8,375</u>	<u>367,500</u>
Ending Fund Balance - Modified Cash Basis	<u>\$ 210,249</u>	<u>\$ 226,698</u>	<u>\$ 5,361</u>	<u>\$ 442,308</u>

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - TO STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**
For the Year Ended June 30, 2019

Explanation of certain differences between the governmental fund statement of receipts, disbursements, and changes in fund balance and the government-wide statement of activities

Excess of Receipts over Disbursements	\$ 74,808
Governmental funds report capital outlays as disbursements. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as a depreciation disbursement. This is the amount by which capital outlays exceeded depreciation in the current period.	
Depreciation Expense	(12,943)
Changes in Bonds Payable have an effect on net income in the governmental funds. On the government wide statements, however, changes are posted to the liability account on the balance sheet.	
	<u>15,000</u>
Change in Net Position	<u><u>\$ 76,865</u></u>

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2019

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Property Taxes	\$ 64,050	\$ 64,050	\$ 79,831	\$ 15,781
Licenses and Permits	33,750	33,750	12,345	(21,405)
Franchise Fees	56,400	56,400	62,561	6,161
Grants	100,000	100,000	14,000	(86,000)
Intergovernmental	27,685	27,685	29,630	1,945
Interest and Miscellaneous	16,980	16,980	22,474	5,494
Total Receipts	298,865	298,865	220,841	(78,024)
Disbursements				
Administration	148,286	148,286 (1)	114,020	34,266
Building & Planning	40,500	40,500 (1)	19,382	21,118
Public Safety	35,000	35,000 (1)	15,136	19,864
Parks	135,445	135,445 (1)	28,040	107,405
Community Development	6,000	6,000 (1)	4,416	1,584
Contingency	50,000	50,000 (1)	-	50,000
Total Disbursements	415,231	415,231	180,994	234,237
Excess of Receipts Over, -Under Disbursements	(116,366)	(116,366)	39,847	156,213
Other Financing Sources, -Uses				
Transfers In	19,026	19,026	19,026	-
Transfers Out	(10,000)	(10,000) (1)	(10,000)	-
Total Other Financing Sources, -Uses	9,026	9,026	9,026	-
Net Change in Fund Balance	(107,340)	(107,340)	48,873	156,213
Beginning Fund Balance	165,857	165,857	161,376	(4,481)
Ending Fund Balance	\$ 58,517	\$ 58,517	\$ 210,249	\$ 151,732

(1) Appropriation Level

See accompanying notes to the basic financial statements

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CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2019

STREET FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Intergovernmental	\$ 121,450	\$ 121,450	\$ 71,780	\$ (49,670)
Interest and Miscellaneous	2,500	2,500	4,991	2,491
Total Receipts	123,950	123,950	76,771	(47,179)
Disbursements				
Personal Services	21,795	21,795 (1)	19,254	2,541
Materials and Services	39,820	39,820 (1)	28,568	11,252
Capital Outlay	152,400	152,400 (1)	-	152,400
Contingency	75,000	75,000 (1)	-	75,000
Total Disbursements	289,015	289,015	47,822	241,193
Net Change in Fund Balance	(165,065)	(165,065)	28,949	194,014
Beginning Fund Balance	194,731	194,731	197,749	3,018
Ending Fund Balance	<u>\$ 29,666</u>	<u>\$ 29,666</u>	<u>\$ 226,698</u>	<u>\$ 197,032</u>

(1) Appropriation Level

See accompanying notes to the basic financial statements

**CITY OF DONALD
MARION COUNTY, OREGON**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
June 30, 2019**

	Water Fund	Sewer Fund	Water System Fund	Sewer System Fund
ASSETS:				
Current Assets				
Cash and Investments	\$ 485,897	\$ 667,104	\$ 12,852	\$ 267,707
Total Current Assets	485,897	667,104	12,852	267,707
Capital Assets, Net	431,359	733,507	303,699	-
Total Assets	917,256	1,400,611	316,551	267,707
NET POSITION:				
Net Investment in Capital Assets	431,359	733,507	303,699	-
Restricted for System Development	-	-	12,852	267,707
Unrestricted	485,897	667,104	-	-
Total Net Position	\$ 917,256	\$ 1,400,611	\$ 316,551	\$ 267,707

See accompanying notes to the basic financial statements

**CITY OF DONALD
MARION COUNTY, OREGON**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
June 30, 2019**

	Park System Fund	Stormwater System Fund	Transportation System Fund	Total
ASSETS:				
Current Assets				
Cash and Investments	\$ 999	\$ 18,667	\$ 13,635	\$ 1,466,861
Total Current Assets	999	18,667	13,635	1,466,861
Capital Assets, Net	-	-	-	1,468,565
Total Assets	999	18,667	13,635	2,935,426
NET POSITION:				
Net Investment in Capital Assets	-	-	-	1,468,565
Restricted for System Development	999	18,667	13,635	313,860
Unrestricted	-	-	-	1,153,001
Total Net Position	\$ 999	\$ 18,667	\$ 13,635	\$ 2,935,426

See accompanying notes to the basic financial statements

**CITY OF DONALD
MARION COUNTY, OREGON**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019**

	Water Fund	Sewer Fund	Water System Fund	Sewer System Fund
OPERATING RECEIPTS				
Charges for Services	\$ 272,336	\$ 313,748	\$ 3,824	\$ 3,886
Intergovernmental	-	-	17,000	17,000
Interest and Miscellaneous	12,762	14,353	-	-
Total Operating Receipts	285,098	328,101	20,824	20,886
OPERATING DISBURSEMENTS				
Personal Services	168,410	168,411	-	-
Materials and Services	76,005	73,578	21,126	17,000
Depreciation	30,713	54,536	526	-
Total Operating Disbursements	275,128	296,525	21,652	17,000
Operating Income/(Loss)	9,970	31,576	(828)	3,886
NONOPERATING RECEIPTS (DISBURSEMENTS)				
Interest on Investments	-	-	323	6,433
Rental Income	-	26,541	-	-
Total Nonoperating Receipts (Disbursements)	-	26,541	323	6,433
CAPITAL CONTRIBUTIONS (DISBURSEMENTS)				
Capital Contributions	-	43,700	-	-
Transfers In	5,000	5,000	-	-
Transfers Out	(9,500)	(9,500)	-	-
Total Capital Contributions (Disbursements)	(4,500)	39,200	-	-
Change in Net Position	5,470	97,317	(505)	10,319
Beginning Net Position	911,786	1,303,294	317,056	257,388
Ending Net Position	\$ 917,256	\$ 1,400,611	\$ 316,551	\$ 267,707

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Park System Fund	Stormwater System Fund	Transportation System Fund	Total
OPERATING RECEIPTS				
Charges for Services	\$ 503	\$ 186	\$ 581	\$ 595,064
Intergovernmental	-	-	-	34,000
Interest and Miscellaneous	-	-	-	27,115
Total Operating Receipts	503	186	581	656,179
OPERATING DISBURSEMENTS				
Personal Services	-	-	-	336,821
Materials and Services	-	-	-	187,709
Depreciation	-	-	-	85,775
Total Operating Disbursements	-	-	-	610,305
Operating Income/(Loss)	503	186	581	45,874
NONOPERATING RECEIPTS (DISBURSEMENTS)				
Interest on Investments	13	450	318	7,537
Rental Income	-	-	-	26,541
Total Nonoperating Receipts (Disbursements)	13	450	318	34,078
CAPITAL CONTRIBUTIONS (DISBURSEMENTS)				
Capital Contributions	-	-	-	43,700
Transfers In	-	-	-	10,000
Transfers Out	(10)	(4)	(12)	(19,026)
Total Capital Contributions (Disbursements)	(10)	(4)	(12)	34,674
Change in Net Position	506	632	887	114,626
Beginning Net Position	493	18,035	12,748	2,820,800
Ending Net Position	\$ 999	\$ 18,667	\$ 13,635	\$ 2,935,426

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Water Fund	Sewer Fund	Water System Fund	Sewer System Fund
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 285,098	\$ 328,101	\$ 20,824	\$ 20,886
Cash Paid to Suppliers	(76,005)	(73,578)	(21,126)	(17,000)
Cash Paid to Employees	(168,410)	(168,411)	-	-
Net Cash Provided -Used by Operating Activities	40,683	86,112	(302)	3,886
Cash Flows from Noncapital Financing Activities:				
Transfers Out	(9,500)	(9,500)	-	-
Transfers In	5,000	5,000	-	-
Net Cash Provided -Used by Noncapital Financing Activities	(4,500)	(4,500)	-	-
Cash Flows from Capital and Related Financing Activities:				
Rental Income	-	26,541	-	-
Additions/Deletions to Capital Assets	(17,831)	(2,819)	-	-
Net Cash Provided -Used by Capital and Related Financing Activities	(17,831)	23,722	-	-
Cash Flows from Investing Activities:				
Interest on Investments	-	-	323	6,433
Net Increase -Decrease in Cash and Cash Equivalents	18,352	105,334	21	10,319
Cash and Investments at Beginning of Year	467,545	561,770	12,831	257,388
Cash and Investments at End of Year	<u>\$ 485,897</u>	<u>\$ 667,104</u>	<u>\$ 12,852</u>	<u>\$ 267,707</u>
Reconciliation of Operating Income to				
Net Cash Provided by Operating Activities				
Operating Income, -Loss	\$ 9,970	\$ 31,576	\$ (828)	\$ 3,886
Noncash Items Included in Income:				
Depreciation	30,713	54,536	526	-
Net Cash Provided -Used by Operating Activities	<u>\$ 40,683</u>	<u>\$ 86,112</u>	<u>\$ (302)</u>	<u>\$ 3,886</u>

See accompanying notes to the basic financial statements

CITY OF DONALD
MARION COUNTY, OREGON

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Park System Fund	Stormwater System Fund	Transportation System Fund	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 503	\$ 186	\$ 581	\$ 656,179
Cash Paid to Suppliers	-	-	-	(187,709)
Cash Paid to Employees	-	-	-	(336,821)
Net Cash Provided -Used by Operating Activities	503	186	581	131,649
Cash Flows from Noncapital Financing Activities:				
Transfers Out	(10)	(4)	(12)	(19,026)
Transfers In	-	-	-	10,000
Net Cash Provided -Used by Noncapital Financing Activities	(10)	(4)	(12)	(9,026)
Cash Flows from Capital and Related Financing Activities:				
Rental Income	-	-	-	26,541
Additions/Deletions to Capital Assets (Net)	-	-	-	(20,650)
Net Cash Provided -Used by Capital and Related Financing Activities	-	-	-	5,891
Cash Flows from Investing Activities:				
Interest on Investments	13	450	318	7,537
Net Increase -Decrease in Cash and Cash Equivalents	506	632	887	136,051
Cash and Investments at Beginning of Year	493	18,035	12,748	1,330,810
Cash and Investments at End of Year	<u>\$ 999</u>	<u>\$ 18,667</u>	<u>\$ 13,635</u>	<u>1,466,861</u>
Reconciliation of Operating Income to				
Net Cash Provided by Operating Activities				
Operating Income, -Loss	\$ 503	\$ 186	\$ 581	45,874
Noncash Items Included in Income:				
Depreciation	-	-	-	85,775
Net Cash Provided -Used by Operating Activities	<u>\$ 503</u>	<u>\$ 186</u>	<u>\$ 581</u>	<u>\$ 131,649</u>

See accompanying notes to the basic financial statements

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NOTES TO THE
BASIC FINANCIAL STATEMENTS

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CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City have been prepared in conformity with the modified cash basis of accounting as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The City of Donald, (the City) was incorporated in 1912. The City governance is vested in a Council and Mayor. The Council is composed of six council members elected at large, three are elected biennially to serve terms of four years. The Mayor is elected at each biennial general election to serve a term of two years. The administration and appointment of staff is the responsibility of the City Manager.

The City is a primary government. A primary government is financially accountable for the organizations (component units) that make up its legal entity. The City has considered whether there are other organizations for which it is financially accountable, and has concluded, in accordance with GASB 61, that there are no such component units.

Financial accountability may be evidenced by the ability to appoint the voting majority of the governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burdens on, the primary government; or a fiscal dependency or intergovernmental relationship so close that exclusion from the primary government would render the financial statements incomplete or misleading.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

Financial operations of the City are accounted for in the following major funds:

GENERAL FUND

This fund accounts for all financial resources and expenditures of the City, except those required to be accounted for in another fund. The principal sources of revenue are property taxes, state shared revenues, and franchise fees.

STREET FUND

This fund accounts for monies expended for maintenance and improvement of the City's roads and streets. The principal source of revenue is state highway fund apportionment. Fund balances are restricted for the improvement of the City's roads and streets.

WATER FUND

This fund accounts for the maintenance, operation, and construction of the City's water intake, purification and delivery systems. The principal source of revenue is user fees.

CITY OF DONALD
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (CONTINUED)

SEWER FUND

This fund accounts for the maintenance, operation and construction of the City's wastewater collection and treatment system. The principal source of revenue is user fees.

WATER AND SEWER SYSTEM IMPROVEMENT FUNDS

These funds account for the accumulation of resources for, and the payment of, construction of the City's water and wastewater collection and treatment systems. The principal source of revenue is system development fees.

PARK, STORMWATER AND TRANSPORTATION SYSTEM DEVELOPMENT FUNDS

These funds account for the accumulation of resources for, and the payment of, construction of the City's park, stormwater and transportation systems. The principal source of revenue is system development fees.

DEBT SERVICE FUND

This fund accounts for the accumulation of resources for, and the payment of, principal and interest on bonds payable. Revenues are provided by property tax collection and interest. Fund balances are restricted for debt.

C. BASIS OF ACCOUNTING

The City follows the cash basis of accounting with certain minor modifications. The modifications to the cash basis of accounting are capitalization and depreciation of property and equipment. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded as paid in cash or by check. This basis of accounting is applied to both the government-wide financial statements, and the governmental and business type fund financial statements uniformly.

This basis of accounting is not equivalent to the generally accepted accounting principles (GAAP) basis of accounting. Under GAAP the fund financial statements require that revenues be recorded as they become susceptible to accrual (i.e. when they become measurable and available) and expenditures recorded as goods and services received. For the government-wide statements GAAP requires that the accrual basis of accounting be applied. Under the accrual basis of accounting the cost of capital assets are capitalized and depreciated over their estimated useful lives, debt is recorded as incurred, receipts are recorded when earned irrespective of the collection of cash, and disbursements, including depreciation, are recorded when incurred. Management believes the modified cash basis of accounting is preferable for the City due to the City's small size and the necessity of assessing available cash resources. The modified cash basis of accounting is allowed under Oregon Local Budget Law.

The modified cash basis proprietary fund distinguishes operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for the enterprise fund includes the cost of sales and services, administrative disbursements, and capital outlay. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. FUND BALANCE

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions* is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. This authority has been granted to the City Manager and the Accountant.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

There were no nonspendable, committed, or assigned fund balances.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

E. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The City follows Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), as it is applicable to modified cash basis financial statements. The Statement requires that the City present both government-wide and fund financial statements, and reconcile the two types of statements, as necessary.

The government-wide statements report information on the City irrespective of fund activity, and the fund financial statements report information using the City's funds.

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS (CONTINUED)

The government-wide financial reports information on the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segments is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

F. BUDGETS

A budget is prepared and legally adopted for each fund on cash basis of accounting in the main program categories required by the Oregon Local Budget Law. The budgets for all funds are adopted on a basis consistent with cash basis accounting. The City begins its budget process early in each year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in the spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The council may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is adopted and appropriations are made no later than June 30th.

Expenditures budgets are appropriated at the following levels for each fund: Personal Services, Materials and Services, Capital Outlay, Interfund Transactions, Debt Service, and Operating Contingency. Expenditures cannot legally exceed 10% above the appropriations levels. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original appropriations, and several appropriation transfers. Expenditures of the various funds were within authorized appropriation levels.

G. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

I. PROPERTY TAXES RECEIVABLE

Property taxes receivable is recorded in the General Fund to indicate the amount of uncollected taxes that the City can expect to receive in the future. Such taxes are offset by a liability to indicate that these amounts have not been recorded as receipts. Real and personal property are assessed and property taxes become a lien against the property as of July 1 of each year. Property taxes are payable in three installments, following the lien date on November 15, February 15, and May 15. Taxes not received by May 15th are considered delinquent. As required by law, Marion County manages tax collections for the City. Substantially all taxes receivable are considered collectible through liens on the underlying property.

J. GRANTS

Grant receipts are recorded at the time they are received. Under the modified cash basis accounting, grants receivable are not recorded for unreimbursed expenditures due from grantor agencies.

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. CAPITAL ASSETS

Capital assets are stated at historical cost, or estimated historical cost if actual cost is not available. Donated capital assets are recorded at the fair market value of such assets at the date of donation. Capital assets include land, buildings, improvements, infrastructure and equipment defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated life of one year or more. Maintenance and repairs that do not add to the value of the assets or extend the assets' lives are charged to expenditures as incurred and are not capitalized.

Depreciation is computed using the straight-line method over the useful lives of the related capital assets, except for land, right-of-ways and works of art, which are considered inexhaustible in nature and are not depreciated. The estimated useful lives of the various categories of assets are as follows:

Buildings	40 years
Sewer and Water Systems	20 to 50 years
Equipment and Other	5 to 20 years
Infrastructure	20 years

Upon disposal of such assets, the accounts are relieved of the related cost and accumulated depreciation and resulting gains or losses are reflected in income.

L. RETIREMENT PLAN

Substantially all of the City's full-time employees are participants in the ICMA retirement savings plan, a defined contribution plan. Contributions are made to an account in the employee's name for the exclusive benefit of the employee and the employee's beneficiaries. The value of the account is based on the contributions made and the investment performance over time. In the plan, normal retirement age is defined as 60 years of age. The plan requires all participants to be full time employees of at least 18 years of age. The plan calls for the City to contribute 6% of the employee's earnings for the plan year. The City currently pays for the employee's 6% share as well. Participation is not required.

M. LONG-TERM OBLIGATIONS

Although the cash basis of accounting does not require the obligation be displayed, the City believes that presentation of this information is important. Accordingly, the details of obligations are presented in these notes to the basic financial statements and are reported as a liability in the Statement of Net Position.

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements as of June 30, 2019 was \$145,875, which was fully covered by federal depository insurance.

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INTEREST RATE RISK-INVESTMENTS

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date.

CREDIT RISK-INVESTMENTS

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from the U.S. Government or USGSE. The State Treasurer's Local Government Investment Pool is not rated.

CONCENTRATION OF CREDIT RISK

At June 30, 2019, 100% of total investments were in the Oregon State Treasury's Local Government Investment Pool. State statutes do not limit the percentage of investment in the Pool.

Cash and Investments at June 30, 2019 were comprised of the following:

	<u>2019</u>
Deposits with Financial Institutions:	
Demand Deposits	\$ 144,371
Petty Cash	200
Local Government Investment Pool	<u>1,764,598</u>
Total	<u>\$ 1,909,169</u>

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

The policy is to follow state statutes governing cash management. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

The City had the following investments and maturities:

Investment Type	Investment Maturities (in months)			
	Fair Value	Less than 3	3-18	18-59
State Treasurer's Investment Pool	\$ 1,764,598	\$ 1,764,598	\$ -	\$ -
Total	\$ 1,764,598	\$ 1,764,598	\$ -	\$ -

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2019 are as follows:

GOVERNMENT FUNDS					
Capital Assets:	Balance 7/1/2018	Adjustments	Additions	Deletions	Balance 6/30/219
Not depreciated:					
Land	\$ 29,000	\$ -	\$ -	\$ -	29,000
Depreciated:					
Parks and Park Improvements	63,630	-	-	-	63,630
Building and Improvements	270,075	-	-	-	270,075
Equipment	6,168	-	-	-	6,168
Infrastructure	45,654	-	-	-	45,654
Total	414,527	-	-	-	414,527
Accumulated Depreciation:					
Parks and Park Improvements	44,366	-	876	-	45,242
Building and Improvements	54,515	(2)	7,502	-	62,015
Equipment	6,167	1	4,565	-	10,733
Infrastructure	19,405	1	-	-	19,406
Total	124,453	-	12,943	-	137,396
Total Capital Assets, net	\$ 290,074			\$	277,131

Depreciation Expense:

General Government	\$ 8,378
Highways and Streets	4,565
Total Depreciation:	<u>\$ 12,943</u>

PROPRIETARY FUNDS					
Capital Assets:	Balance 7/1/2018	Adjustments	Additions	Deletions	Balance 6/30/219
Not depreciated:					
Land & Land Improvements	\$ 18,492	\$ -	\$ -	\$ -	18,492
Depreciated:					
Building and Improvements	91,747	-	-	-	91,747
Equipment	198,738	(2)	14,626	(11,807)	201,555
Water System Infrastructure	1,284,014	-	17,831	-	1,301,845
Sewer System Infrastructure	1,995,531	1	-	-	1,995,532
Total	3,588,522	(1)	32,457	(11,807)	3,609,171
Accumulated Depreciation:					
Building and Improvements	57,464	1,896	2,194	-	61,554
Equipment	158,703	(25,567)	12,723	(11,807)	134,052
Water System Infrastructure	574,060	179	27,594	-	601,833
Sewer System Infrastructure	1,308,305	(8,402)	43,264	-	1,343,167
Total	2,098,532	(31,894)	85,775	(11,807)	2,140,606
Total Capital Assets, net	\$ 1,489,990			\$	1,468,565

Adjustments are made to match financial statements to capital asset register and deletions are due to removal of items from the capital asset register that are no longer in use.

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three fiscal years.

5. LONG-TERM OBLIGATIONS

\$375,000 was issued on March 8, 2005 to finance capital expansions and improvements to the City's water and wastewater systems. The interest rate was 5.25%. The loan was refinanced with US Bank in 2015 at a rate of 3.29%. Repayments are made out of the Governmental Debt Service Fund. The loan matures in 2025.

The changes in long-term obligations for the year ended June 30, 2019 is comprised of the following:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Due within 1 Year</u>
March 8, 2005	\$ 160,000	\$ -	\$ 15,000	\$ 145,000	\$ 15,000
Total Long Term Obligations	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 145,000</u>	<u>\$ 15,000</u>

Future maturities of long term obligations are as follows:

<u>Amounts Payable in Fiscal Year:</u>	<u>Principal</u>	<u>Interest Due</u>
2019-20	\$ 15,000	\$ 5,065
2020-21	15,000	4,577
2021-22	15,000	4,065
2022-23	20,000	3,564
2023-24	20,000	2,981
2024-26	<u>60,000</u>	<u>4,285</u>
Totals	<u>\$ 145,000</u>	<u>\$ 24,537</u>

6. INTERFUND TRANSFERS

Interfund Transfers were done to finance operations between funds.

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 10,000	\$ 19,026
Water Fund	9,500	5,000
Sewer Fund	9,500	5,000
System Dev. Park	10	
System Dev. Storm Water	4	-
System Dev. Transportation	<u>12</u>	<u>-</u>
Totals	<u>\$ 29,026</u>	<u>\$ 29,026</u>

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. INTERFUND TRANSFERS (CONTINUED)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. PROPERTY TAX LIMITATIONS

The voters of the State of Oregon imposed a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The State voters further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit set in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions.

8. COMMITMENTS AND CONTINGENCIES

The City during its regular course of business may be involved in various claims and legal matters relating to its operations. The City does not believe that there is any pending or threatened litigation, claims or assessments that have a material impact on its June 30, 2019 financial statements.

9. SINGLE EMPLOYER PENSION PLAN

Plan Description: The City of Donald provides a single employer defined contribution pension plan through The ICMA Retirement Corporation Governmental Money Purchase Plan & Trust. The plan is administered by ICMA Retirement Corporation. Currently, the City contributes 6% of earnings for each participant of the plan.

Funding Policy: The benefits from this program are fully paid and, consequently, no contributions by employees are required. There is no obligation to fund these benefits in advance. The only obligation is to make current benefit payments due each fiscal year. Employer contributions for each plan year are required to be contributed to the Trust no later than the 15th day of the tenth calendar month following the end of the calendar year or fiscal year. Each participant may make voluntary (unmatched) contributions to the plan subject to limitations. Vesting provisions are defined as 50% after one year of service, 100% after two years. Pension expense for the year ended June 30, 2019 was \$33,137. Monies accumulated under this plan are held in trust for the exclusive benefit of the participants. Accordingly, the Plan assets are not included in the City's modified cash basis basic financial statements.

10. TAX ABATEMENTS

As of June 30, 2019, the City had tax abatements through one program, Enterprise Zone, which impacted their levied taxes and require disclosure under GASB 77.

Enterprise Zone (ORS 285C.175):

- The Oregon Enterprise Zone program is a State of Oregon economic development program established, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor.

CITY OF DONALD

MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. TAX ABATEMENTS (CONTINUED)

- The Enterprise Zone program allows industrial firms that will be making a substantial new capital investment a waiver of 100% of the amount of real property taxes attributable to the new investment for a 5-year period after completion. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

For the fiscal year ended June 30, 2019, the City had abated property taxes totaling \$4,040 under this program.

SUPPLEMENTARY INFORMATION

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CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2019

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Property Taxes	\$ 17,395	\$ 17,395	\$ 17,345	\$ (50)
Interest	125	125	207	82
Total Receipts	17,520	17,520	17,552	32
Disbursements				
Debt Service	20,566	20,566 (1)	20,566	-
Total Disbursements	20,566	20,566	20,566	-
Net Change in Fund Balance	(3,046)	(3,046)	(3,014)	32
Beginning Fund Balance	8,112	8,112	8,375	263
Ending Fund Balance	\$ 5,066	\$ 5,066	\$ 5,361	\$ 295

(1) Appropriation Level

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2019

<u>WATER FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Charges for Services	\$ 308,200	\$ 308,200	\$ 272,336	\$ (35,864)
Intergovernmental		-	-	-
Interest and Miscellaneous	5,700	5,700	12,762	7,062
Total Receipts	313,900	313,900	285,098	(28,802)
Disbursements				
Personal Services	181,985	181,985 (1)	168,410	13,575
Materials and Services	137,794	137,794 (1)	91,039	46,755
Capital Outlay	10,410	10,410 (1)	2,797	7,613
Contingency	150,000	150,000 (1)	-	150,000
Total Disbursements	480,189	480,189	262,246	217,943
Excess of Receipts Over -Under Disbursements	(166,289)	(166,289)	22,852	189,141
Other Financing Sources, -Uses				
Transfers In	5,000	5,000	5,000	-
Transfers Out	(9,500)	(9,500) (1)	(9,500)	-
Total Other Financing Sources, -Uses	(4,500)	(4,500)	(4,500)	-
Net Change in Fund Balance	(170,789)	(170,789)	18,352	189,141
Beginning Fund Balance	471,090	471,090	467,545	[*] (3,545)
Ending Fund Balance	<u>\$ 300,301</u>	<u>\$ 300,301</u>	485,897	<u>\$ 185,596</u>
Reconciliation to the Statement of Proprietary Net Position:				
Net Capital Assets			<u>431,359</u>	
Net Position			<u>\$ 917,256</u>	
(1) Appropriation Level				

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2019

<u>SEWER FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Charges for Services	\$ 312,540	\$ 312,540	\$ 313,748	\$ 1,208
Lease of Land	23,244	23,244	26,541	3,297
Interest and Miscellaneous	6,700	6,700	14,353	7,653
Total Receipts	<u>342,484</u>	<u>342,484</u>	<u>354,642</u>	<u>12,158</u>
Disbursements				
Personal Services	181,985	181,985 (1)	168,411	13,574
Materials and Services	197,724	197,724 (1)	73,600	124,124
Capital Outlay	10,410	10,410 (1)	2,797	7,613
Contingency	150,000	150,000 (1)	-	150,000
Total Disbursements	<u>540,119</u>	<u>540,119</u>	<u>244,808</u>	<u>295,311</u>
Excess of Receipts Over -Under Disbursements	(197,635)	(197,635)	109,834	307,469
OTHER FINANCING SOURCES				
Transfers In	5,000	5,000	5,000	-
Transfers Out	(9,500)	(9,500) (1)	(9,500)	-
Total Other Financing Sources, -Uses	<u>(4,500)</u>	<u>(4,500)</u>	<u>(4,500)</u>	<u>-</u>
Net Change in Fund Balance	(202,135)	(202,135)	105,334	307,469
Beginning Fund Balance	<u>541,591</u>	<u>541,591</u>	<u>561,770</u>	<u>20,179</u>
Ending Fund Balance	<u>\$ 339,456</u>	<u>\$ 339,456</u>	667,104	<u>\$ 327,648</u>
Reconciliation to the Statement of Proprietary Net Position:				
Net Capital Assets			<u>733,507</u>	
Net Position			<u>\$ 1,400,611</u>	
(1) Appropriation Level				

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2019

WATER SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
Grants	\$ 345,000	\$ 345,000	\$ 17,000	\$ (328,000)
System Development Charges	3,824	3,824	3,824	-
Interest	160	160	323	163
Total Receipts	348,984	348,984	21,147	(327,837)
Disbursements				
Materials and Services	32,000	32,000 (1)	21,126	10,874
Capital Outlay	325,000	325,000 (1)	-	325,000
Contingency	3,500	3,500 (1)	-	3,500
Total Disbursements	360,500	360,500	21,126	339,374
Net Change in Fund Balance	(11,516)	(11,516)	21	11,537
Beginning Fund Balance	12,823	12,823	12,831	8
Ending Fund Balance	<u>\$ 1,307</u>	<u>\$ 1,307</u>	<u>\$ 12,852</u>	<u>\$ 11,545</u>

Reconciliation to the Statement of Proprietary Net Position:

Net Capital Assets	<u>303,699</u>
Net Position	<u>\$ 316,551</u>

(1) Appropriation Level

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2019

SEWER SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
System Development Charges	\$ 3,885	\$ 3,885	\$ 3,886	\$ 1
Grants	320,000	320,000	17,000	(303,000)
Interest	3,200	3,200	6,433	3,233
Total Receipts	327,085	327,085	27,319	(299,766)
Disbursements				
Materials and Services	220,000	220,000 (1)	17,000	203,000
Capital Outlay	300,000	300,000 (1)	-	300,000
Contingency	60,000	60,000 (1)	-	60,000
Total Disbursements	580,000	580,000	17,000	563,000
Net Change in Fund Balance	(252,915)	(252,915)	10,319	263,234
Beginning Fund Balance	257,263	257,263	257,388	125
Ending Fund Balance	\$ 4,348	\$ 4,348	\$ 267,707	\$ 263,359

(1) Appropriation Level

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2019

PARK SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
System Development Charges	\$ 503	\$ 503	\$ 503	\$ -
Interest	10	10	13	3
Total Receipts	513	513	516	3
Disbursements				
Personal Services		- (1)	-	-
Materials and Services		- (1)	-	-
Contingency	-	- (1)	-	-
Total Disbursements	-	-	-	-
Excess of Revenues Over, -Under Expenditures	513	513	516	3
OTHER FINANCING SOURCES, -USES				
Transfers Out	(10)	(10) (1)	(10)	-
Total Other Financing Sources, -Uses	(10)	(10)	(10)	-
Net Change in Fund Balance	503	503	506	3
Beginning Fund Balance	493	493	493	-
Ending Fund Balance	\$ 996	\$ 996	\$ 999	\$ 3

(1) Appropriation Level

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2019

STORMWATER SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
System Development Charges	\$ 186	\$ 186	\$ 186	\$ -
Interest	230	230	450	220
Total Receipts	416	416	636	220
OTHER FINANCING SOURCES, -USES				
Transfers Out	(4)	(4) (1)	(4)	-
Total Other Financing Sources, -Uses	(4)	(4)	(4)	-
Net Change in Fund Balance	412	412	632	220
Beginning Fund Balance	18,026	18,026	18,035	9
Ending Fund Balance	<u>\$ 18,438</u>	<u>\$ 18,438</u>	<u>\$ 18,667</u>	<u>\$ 229</u>
(1) Appropriation Level				

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - MODIFIED CASH BASIS
For the Year Ended June 30, 2019

TRANSPORTATION SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Receipts				
System Development Charges	\$ 581	\$ 581	\$ 581	\$ -
Interest	160	160	318	158
Total Receipts	741	741	899	158
OTHER FINANCING SOURCES, -USES				
Transfers Out	(12)	(12) (1)	-	12
Total Other Financing Sources, -Uses	(12)	(12)	(12)	12
Net Change in Fund Balance	729	729	887	158
Beginning Fund Balance	12,739	12,739	12,748	9
Ending Fund Balance	<u>\$ 13,468</u>	<u>\$ 13,468</u>	<u>\$ 13,635</u>	<u>\$ 167</u>
(1) Appropriation Level				

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - GENERAL FUND
For the Year Ended June 30, 2019

<u>TAX YEAR</u>	<u>IMPOSED LEVY OR UNCOLLECTED AT 7-1-18</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-19</u>
CURRENT:						
2018-19	\$ 80,590	\$ 2,151	\$ (198)	\$ 24	\$ 76,667	\$ 1,598
PRIOR YEARS:						
2017-18	1,392	2	(72)	53	852	519
2016-17	707	2	(147)	47	320	285
2015-16	462	3	(158)	57	292	66
2014-15	441	10	7	50	471	17
Prior	1,631	7	(1,343)	7	249	39
Total	\$ 85,223	\$ 2,175	\$ (1,911)	\$ 238	\$ 78,851	\$ 2,524

RECONCILIATION TO RECEIPTS

Cash Collections by County Treasurer Above	\$ 78,851
Other Taxes in Lieu of Property Taxes	980
Total Receipts	<u>\$ 79,831</u>

CITY OF DONALD
MARION COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - DEBT SERVICE FUND
For the Year Ended June 30, 2019

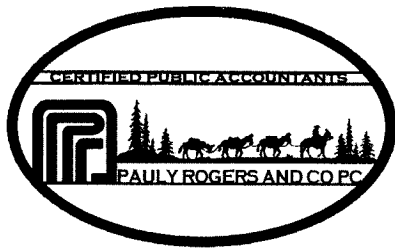
<u>TAX YEAR</u>	<u>IMPOSED LEVY OR UNCOLLECTED AT 7-1-18</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-19</u>
CURRENT:						
2018-19	\$ 17,044	\$ 455	\$ (41)	\$ 5	\$ 16,215	\$ 338
PRIOR YEARS:						
2017-18	463	-	(161)	12	195	119
2016-17	72	-	(109)	(3)	(21)	(19)
2015-16	189	2	(2)	35	180	40
2014-15	-	(1)	(26)	(3)	(27)	(1)
Prior	877	4	(723)	4	133	21
Total	\$ 18,645	\$ 460	\$ (1,062)	\$ 50	\$ 16,675	\$ 498

RECONCILIATION TO RECEIPTS

Cash Collections by County Treasurer Above	\$ 16,675
Other Taxes in Lieu of Property Taxes	670
Total Receipts	\$ 17,345

INDEPENDENT AUDITORS'
REPORT REQUIRED BY
OREGON STATE REGULATIONS

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December 19, 2019

Independent Auditor's Report Required by Oregon State Regulations

We have audited the modified cash basis basic financial statements of the City of Donald (the City) as of and for the year ended June 30, 2019, and have issued our report thereon dated December 19, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City's modified cash basis basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of the modified cash basis basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Programs funded from outside sources**

In connection with our testing nothing came to our attention that caused us to believe the City of Donald was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the modified cash basis basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

This report is intended solely for the information and use of the council members and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

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